

HOUSE JOINT RESOLUTION NO. 1

INTRODUCED BY B. LAKE

BY REQUEST OF THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA ESTABLISHING AN OFFICIAL ESTIMATE OF THE STATE'S ANTICIPATED GENERAL FUND REVENUE FOR EACH YEAR OF THE 2006-07 BIENNIUM FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE MONTANA CONSTITUTION; ACCEPTING A PRELIMINARY JUNE 30, 2005, UNRESERVED GENERAL FUND BALANCE THAT WAS ESTABLISHED BASED ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; ESTABLISHING AN OFFICIAL ESTIMATE OF NONGENERAL FUND REVENUE RELATED TO COMMON SCHOOL INTEREST AND INCOME; AND REQUESTING THAT THE GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS OFFICIAL REVENUE ESTIMATES FOR FISCAL YEARS 2006 AND 2007.

WHEREAS, the Montana Supreme Court decided, among other matters, in *Columbia Falls Elementary Schools v. State of Montana*, 2005 MT 69, 326 Mont. 304, 109 P.3d 257 (2005), that Montana's current school funding formula is unrelated to relevant educational needs; and

WHEREAS, the 59th Legislature, in response to the Supreme Court decision, defined a basic system of free quality public elementary and secondary schools and identified educationally relevant factors of the basic system in Senate Bill No. 152, enacted as Chapter 208, laws of 2005; and

WHEREAS, the 59th Legislature established a Quality Schools Interim Committee to develop, among other things, a funding formula that equitably distributes the state's share of the costs of the basic system;

WHEREAS, the 59th Legislature passed House Joint Resolution No. 42 to study the magnitude of unfunded liabilities in the state's retirement systems;

1 WHEREAS, on December 5, the Governor issued a call for a special session of the 59th Legislature to begin December 14, 2005; and

2 WHEREAS, the Governor's call directed the Legislature to consider legislation, including appropriations, to implement a funding system for  
3 Montana's public elementary and secondary schools that complies with Article X, section 1, of the Montana Constitution, that fulfills the requirements of  
4 the Montana Supreme Court decision in Columbia Falls Elementary Schools v. State of Montana, and that satisfies the definition of quality schools and  
5 other provisions contained in Senate Bill No. 152; and

6 WHEREAS, the Governor's call also directed the Legislature to consider legislation to appropriate one-time money from the state general fund  
7 to public elementary and secondary schools for recognition of the cultural heritage of American Indians and for school-related purposes, specifically  
8 including facility studies, weatherizing buildings for long-term energy savings, deferred maintenance, and assistance with utility and transportation energy  
9 costs; and

10 WHEREAS, the Governor's call also directed the Legislature to consider legislation to appropriate money from the state general fund to the  
11 Teachers' Retirement System to reduce the unfunded liability of the system and to help improve Montana's ability to recruit and retain qualified teachers;  
12 and

13 WHEREAS, the Governor's call also directed the Legislature to consider legislation to appropriate money from the state general fund to the Public  
14 Employees' Retirement System to help reduce the unfunded liability of the system; and

15 WHEREAS, the Governor proposes \$189.67 million in appropriations by the Legislature; and

16 WHEREAS, actual revenue collections in fiscal year 2005 were \$133.35 million higher than estimated by the 59th Legislature meeting in regular  
17 session; and

18 WHEREAS, general fund revenue collections in fiscal year 2006 and in fiscal year 2007 are expected to exceed the amount estimated by the  
19 59th Legislature meeting in regular session;

20 WHEREAS, changes in oil and natural gas production and prices affects interest and income from common school lands;

21 WHEREAS, the amount of estimated revenue may affect policy decisions of the Executive Branch and the Legislative Branch; and

1 WHEREAS, given the Governor's proposed appropriations and given the Legislature's constitutional responsibility to balance the budget under  
2 Article VIII, section 9, of the Montana Constitution, it is in the best interest of the state that revised revenue estimates for the 2006-07 biennium be  
3 considered by the Legislature meeting in special session; and

4 WHEREAS, the revenue estimates, including common school interest and income, contained in this resolution and the underlying assumptions  
5 used to derive the estimates provide the basis for a comprehensive analysis of the state's financial condition; and

6 WHEREAS, the revenue estimates contained in this resolution were approved by the Revenue and Transportation Committee on December 13,  
7 2005; and

8 WHEREAS, the revenue estimates contained in this resolution are intended to supersede the estimates contained in House Joint Resolution No.  
9 2 of the 59th Legislature meeting in regular session.

10  
11 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

12 That the state general fund revenue for fiscal years 2006 and 2007 be estimated to be \$1,542,615,000 and \$1,597,055,000, respectively.

13 BE IT FURTHER RESOLVED, that the Legislature accept for budget purposes the preliminary unreserved fiscal year 2005 fund balance of  
14 \$297,440,000 for the general fund, prepared according to generally accepted accounting principles.

15 BE IT FURTHER RESOLVED, that the Governor's Office of Budget and Program Planning use the revenue estimates and the underlying  
16 assumptions contained in this resolution as the official revenue estimates for fiscal years 2006 and 2007.

17 GENERAL FUND REVENUE

18 The revised estimates for total general fund revenue for fiscal years 2006 and 2007 are based on the assumption of a continuation of Montana  
19 law as it existed on December 1, 2005. The revenue estimates contained in the following tables are also based on the relevant assumptions contained  
20 in House Joint Resolution No. 2 considered during the 2005 Legislative Session, statutory changes affecting general fund revenue that were enacted  
21 during the 2005 Legislative Session, and revisions to certain assumptions, such as those related to capital gains, dividends, mineral royalties, U.S.

1 corporate profits, tax audit collections, the value of taxable property, and oil and natural gas production and prices.

2 Current Law

3 General Fund Revenue Estimates

4 (In Millions of Dollars)

	Actual	Estimated	Estimated	Estimated
	FY 2005	FY 2006	FY 2007	FY 2006/FY 2007
5 Source of Revenue				
6 Individual Income Tax	\$706.235	\$677.815	\$712.611	\$1,390.426
7 Statewide and Vo-Tech Property Taxes	167.270	176.391	182.900	359.291
8 Oil and Natural Gas Production Tax	62.626	99.410	92.554	191.964
9 Corporation Income Tax	98.214	91.427	97.281	188.708
10 Vehicle License Fee	80.132	80.140	82.050	162.190
11 Insurance Tax and License Fees	57.308	61.580	64.637	126.217
12 Video Gambling Tax	53.361	55.031	57.509	112.540
13 All Other Revenue	34.723	27.389	29.601	56.990
14 Permanent Coal Trust Interest Earnings	36.752	32.211	32.290	64.501
15 Vehicle Registration Fee	30.639	35.029	36.960	71.989
16 U.S. Mineral Royalty	27.294	26.712	27.962	54.674
17 Telecommunications Excise Tax	21.144	21.700	22.101	43.801
18 Tobacco Settlement	2.978	2.319	2.309	4.628
19 Public Institution Reimbursements	12.509	15.127	15.049	30.176
20 3% Accommodations Sales Tax	10.201	10.715	11.419	22.134

1	Estate Tax	4.191	1.950	0.939	2.889
2	Treasury Cash Account Interest	10.046	13.102	14.367	27.469
3	Liquor Excise and License Tax	11.468	11.535	11.959	23.494
4	Coal Severance Tax	10.312	8.466	8.644	17.110
5	Cigarette Tax	35.117	33.069	31.790	64.859
6	Lottery Profits	6.223	7.844	7.839	15.683
7	Nursing Facilities Fee	5.913	5.851	5.824	11.675
8	Liquor Profits	6.650	6.786	7.017	13.803
9	Investment License Fee	5.192	4.598	4.736	9.334
10	Electrical Energy Producer's License Tax	4.074	4.276	4.270	8.546
11	Highway Patrol Fines	4.293	5.042	5.324	10.366
12	Metalliferous Mines Tax	5.264	5.236	5.438	10.674
13	Public Contractors Tax	1.411	3.030	2.522	5.552
14	Wholesale Energy Transaction Tax	3.370	3.520	3.555	7.075
15	Beer Tax	2.937	2.986	3.039	6.025
16	Driver's License Fee	3.373	2.784	2.792	5.576
17	Rental Car Sales Tax	2.566	2.704	2.820	5.524
18	Tobacco Tax	4.024	3.779	3.847	7.626
19	Railroad Car Tax	1.604	1.574	1.562	3.136
20	Wine Tax	1.503	1.487	1.538	3.025
21	Telephone Tax	0.032	0.000	0.000	0.000

1	Total General Fund	\$1,530.949	\$1,542.615	\$1,597.055	\$3,139.670
2		Current Law			
3	Nongeneral Fund Revenue Estimates for Common School Interest and Income				
4		(In Millions of Dollars)			
5		Actual	Estimated	Estimated	Estimated
6	Source of Revenue	FY 2005	FY 2006	FY 2007	FY 2006/FY 2007
7	Common School Interest and Income	\$68.036	\$67.013	\$64.225	\$131.238
8		- END -			